



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-9000

August 26, 2011

APM 11- 13

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: Theodore W. Tozer, President, Ginnie Mae

SUBJECT: Expanded Buyout Policy for Loans Subject to Trial Payment Plans

In order to continue to support the loss mitigation efforts of the Federal Housing Administration (FHA), the Department of Veterans Affairs (VA), Rural Development (RD), and the Office of Public and Indian Housing (PIH), Ginnie Mae is pleased to announce a change to its buyout policy in Section 18-3 of Ginnie Mae Mortgage-Backed Securities Guide 5500.3, Rev. 1 (Guide). Issuers are now permitted to repurchase loans that have completed the required three-month trial payment plans, pursuant to loan modification parameters authorized by the agencies. This APM applies to loans that meet the above agencies' required trial payment plans for permanent loan modifications. FHA recently announced its trial payment requirements in Mortgagee Letter 2011-28.

Effective immediately, Ginnie Mae will allow Issuers to repurchase loans that have remained in pools while borrowers made partial payments for at least three full, consecutive months pursuant to an insuring or guaranteeing agency's required trial payment plan that is a condition to a permanent loan modification. Until the loan has been removed from the pool, Issuers are reminded of their continued obligation to advance scheduled remittances of principal and interest to investors, as required by the security.

If the homeowner cannot successfully complete the three-month trial period, the Issuer cannot buy the loan out of the pool until the loan has been in default for 90 days or more. Modified loans that have successfully completed the modification process per the insuring agencies' requirements and have been permanently modified may be re-pooled. In order to be eligible for re-pooling, the permanently modified loan must be current as of the issuance date of the related security.

The attachment includes examples of Ginnie Mae's buyout policy. Updates to the Guide are now available under the "What's New" section of the Ginnie Mae website, [www.ginniemae.gov](http://www.ginniemae.gov), and have been incorporated in the Guide at Section 18-3.

For additional assistance, Issuers may contact their Ginnie Mae Account Executive in the Office of Mortgage-Backed Securities at (202) 708-1535.

Attachment

## Attachment

### What is Ginnie Mae’s General Buyout Policy Pursuant to the Guide?

Loans backing Ginnie Mae securities generally may be repurchased from a pool only if the borrower fails to make any payment for three consecutive months (see examples 1 and 2; see also Chapter 18 of the Ginnie Mae MBS Guide for more details).

<b>Example 1                      General Buyout Policy</b>				
	Month 1	Month 2	Month 3	Month 4
Mortgage Payment Due	\$1,000	\$1,000	\$1,000	<b>Eligible for buyout</b>
Amount Paid	0	0	0	
<b>No payment received</b>				

<b>Example 2                      General Buyout Policy</b>				
	Month 1	Month 2	Month 3	Month 4
Mortgage Payment Due	\$1,000	\$1,000	\$1,000	<b>Not Eligible for buyout</b>
Amount Paid	0	\$500	0	
<b>Partial payment received</b>				

### What is Ginnie Mae’s Buyout Policy for loans subject to a trial modification period?

Loans may be bought out of a pool if the borrower is approved for a trial modification and the loan is in a continuous period of default for 90 days or more. See Ginnie Mae MBS Guide Section 18-3(B)(1)(d). The 90-day default is deemed to include ongoing delinquencies resulting from trial modification payments received from a borrower during the trial modification period, where the payments are less than those required under the original loan. The time period as to when the loan can be bought out of the Ginnie Mae pool varies depending on whether the borrowers are delinquent or current when they apply for the trial modification. Both of the below examples assume that the borrower made the lower agreed upon payments and the loan modifications are approved by the lender.

In example A, the borrower is already delinquent when he/she applies for the loan modification. Therefore only a three month trial modification period is required. The loan can be bought out of the Ginnie Mae pool in month 4.

<b>Trial Modification Period Buyout Policy</b>				
<b>Example A - Borrower is delinquent</b>				
	Month 1	Month 2	Month 3	Month 4
Mortgage Payment Due	\$1,000	\$1,000	\$1,000	<b>Eligible for buyout at end of trial modification period</b>
Amount Paid per Modification	\$750	\$750	\$750	
<b>In continuous period of default (90-days)</b>				

In example B, the borrower is current when he/she applies for the loan modification. Therefore a four month trial modification period is required. Since the borrower is current when applying for the loan modification, the loan cannot be bought out of the Ginnie Mae pool until month 5.

<b>Trial Modification Period Buyout Policy</b>					
<b>Example B - Borrower is current*</b>					
	Month 1	Month 2	Month 3	Month 4	Month 5
Mortgage Payment Due	\$1,000	\$1,000	\$1,000	\$1,000	<b>Eligible for buyout at end of trial modification period</b>
Amount Paid per Modification	\$750	\$750	\$750	\$750	
	<b>Delinquent for the first 30-days</b>	<b>In continuous period of default (90-days)</b>			

\* Borrowers that are current and have a documented need to have a reduced mortgage payment may qualify for loan modifications under certain programs by entering into a trial modification for the reduced payment amount.